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SUBJECT: FUKUOKA GOVERNOR STRESSES THE IMPORTANCE OF FDI; NEED TO  
COOPERATE WITH U.S. ON STANDARDS

#### SUMMARY

¶1. (U) Econ Minister-Counselor Robert Cekuta met with Fukuoka Governor Wataru Aso during a March 4-5 visit to Fukuoka and Kitakyushu. The outspoken Fukuoka Governor, who also chairs the National Governors' Association of Japan, discussed how the Japanese perceptions of the U.S. as a superpower have declined in the wake of the wars in Iraq and Afghanistan and concerns here about the subprime loan situation. He argued the EU is increasingly important as a global leader by dint of getting its product or technical standards accepted globally. It is important, he continued, for the U.S. and Japan to work more closely on standards as a result. He also stressed the importance of U.S.-Japan policy coordination toward China. Aso, who has a reputation as an advocate for greater local autonomy and aggressive foreign outreach by local governments, strongly affirmed the value of greater foreign direct investment and castigated those in the Japanese government opposing efforts to boost FDI. End Summary.

#### CHANGING JAPANESE PERCEPTIONS OF THE U.S.

¶2. (SBU) Governor Aso said through the 1990s, Japanese had looked up to the U. S. as the world's superpower. However, Japanese opinions of the U.S. have declined over the past several years with Japanese believing, because of the wars in Afghanistan and Iraq, that the U.S. overly depends on military power. Moreover, he asserted that the U.S. has become seen as a country which is extremely focused on making money - - implying this was the root of the subprime loan situation. Aso also said American culture, long admired in Japan, has lately lost its luster.

¶3. (SBU) Connected with this situation, Aso said the EU has done a better job of developing standards and getting them accepted as the rule internationally than has the U.S. the EU, which has taken the initiative in setting global standards (e.g. safety standards for foods, budgets, corporate governance and environmental protection), and that the EU is successfully persuading the rest of the world to adopt their standards. He pointed out that he often visits China and has noticed that they are learning how to tackle environmental problems (e.g., implementing emission standards) from the EU. He noted that the ASEAN countries are adopting EU rules as well. He argued USG unwillingness to sign on to the Kyoto Protocol has created an impression that the U.S. is not ready to cooperate in such endeavors.

14. (SBU) Aso suggested that the U.S. and Japan should work together on standards with the idea that they could become adapted by other countries as well. The subprime loan situation might provide some opportunities along this line. The two countries should set global standards for securitization and rating to prevent similar crises from occurring again on a global scale.

15. (SBU) Aso also said it would be important to coordinate policy toward China in order to incorporate it into the global community. He expressed concern about China's growing military budget, the need to make China observe WTO rules, and the importance of protecting intellectual property rights.

16. (SBU) EMIN took issue with a number of Aso's points, noting for example the problems REACH and other EU decisions had caused for international trade problems. There were also problems with transparency and the process with which the EU sometimes made decisions on regulatory issues. Some of those same problems existed in how Japan formulated regulations. EMIN also noted work with the EU and member states on resolving regulatory problems and the new initiative under President Bush to take a more active approach to regulatory matters to prevent them from becoming trade barriers. Aso agreed with EMIN that the EU's rules are imperfect and can constrain economic growth, adding this situation makes U.S. and Japan cooperation in creating "reasonable" global standards all the more important.

ASO: FDI BENEFITS ARE ENORMOUS

15. (SBU) Aso said any person with "common sense" understands the benefits of FDI. He was scathing in his remarks pertaining to Japanese politicians and officials recently quoted as

FUKUOKA 00000014 002 OF 002

opposing or looking to constrain incoming foreign investment. The Fukuoka Prefectural Government has opened offices to promote FDI in San Francisco, Frankfurt, Seoul, Shanghai, and Hong Kong.

These offices also actively promote local agricultural products. The prefecture opened a Tokyo to induce Tokyo-based foreign companies to branch out to Fukuoka. Governor Aso also invited members of the French Chamber of Commerce of Osaka and Tokyo to Fukuoka last fall in an attempt to convince them to move their Japan headquarters to Fukuoka. To diversify Asian business links beyond China, Aso is aggressively pursuing relationships with India, Thailand, and Vietnam. Fukuoka is the first Japanese local government which concluded a partnership agreement with the Government of the National Capital Territory (NCT) of Delhi, covering such matters as technology development, environmental policy, and personnel exchanges. Fukuoka Prefecture has forged similar partnerships with Hawaii, Jiangsu Province in China, Bangkok, and most recently with Hanoi. He also regularly networks with his counterparts in the region, including through an annual meeting of governors from Kyushu and Korea. In the meeting, Aso added that Japanese companies are benefiting greatly from American FDI, particularly in the financial and information technology sectors.,

COMMENT

16. (SBU) First elected in 1995 and now in his fourth term, Governor Aso, a former METI bureaucrat, has a reputation as an advocate for greater local autonomy and aggressive foreign outreach by local governments. Given his entrepreneurial streak and fervent belief in FDI, Governor Aso may well be a possible partner in advocating for more openness to FDI here.

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